

Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 FEA-02 DRC-01 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SP-03

AEC-11 AID-20 CEA-02 CIEP-02 EB-11 FPC-01 H-03 INT-08

L-03 NSC-07 OMB-01 PM-07 SAM-01 SCI-06 SS-20 STR-08

TRSE-00 /190 W

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FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1743

INFO USDOC

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

C O N F I D E N T I A L ABU DHABI 0837

EO 11652: ADS (DECONTROL JUNE 30, 1977)

TAGS: ENRG, BEXP, TC

SUBJ: PETROLEUM: ABU DHABI TO CONDUCT COMPLETE RESERVOIR STUDY

REF: ABU DHABI 0578

SUMMARY: SENIOR OFFICIAL OF ABU DHABI NATIONAL OIL CO.
(ADNOC) HAS NOTED NUMBER OF FACTORS THAT MUST BE CONSIDERED BY ABU DHABI IN MAKING FUTURE DECISION WHETHER TO INCREASE OVERALL PRODUCTION LIMITATION OF 1.635 MILL BPD IMPOSED FOR 1974. ADNOC OFFICIAL CRITICAL OF OIL FIELD DEVELOPMENT PRACTICES FOLLOWED BY ONSHORE PRODUCER, ADPC. IN ORDER TO OBTAIN KIND OF SCIENTIFIC DATA NECESSARY TO SUPPORT DECISION RE APPROPRIATE LEVEL OF FUTURE AD
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CRUDE PRODUCTION, ADNOC HAS SOLICITED BIDS FROM 10 COM-

PANIES, 8 US, FOR COMPLETE RESERVOIR AND FIELD MODEL STUDY EXPECTED TAKE 12-18 MONTHS. UNTIL STUDY COMPLETED OFFICIAL INDICATED PRESENT LEVEL OF PRODUCTION WILL BE

MAINTAINED, WHICH MEANS ABU DHABI WILL HAVE APPROX 265,000 BPD OF UNUSED CAPACITY.

1. DURING CALL JUNE 23 BY AMB ON FADIL KHAN, SENIOR ADNOC OFFICIAL, DISCUSSION ENSUED ABOUT FUTURE LEVEL OF ABU DHABI'S OIL PRODUCTION IN LIGHT OF RECENT DECISION OF SHAIKH ZAYID TO PLACE QUANTITATIVE LIMITATION OF 1,635,000 BPD ON PRODUCTION FOR REMAINDER 1974 (REFTEL). KHAN SAID THERE ARE VARYING OPINIONS WITHIN THE GOVT ABOUT QUESTION OF FUTURE PRODUCTION LEVEL. IN DETERMINING WHAT FUTURE LEVEL SHOULD BE, VARIOUS FACTORS HAVE TO BE CONSIDERED: CRUDE MARKET SITUATION, APPLICATION OF PROPER OIL FIELD DEVELOPMENT TECHNIQUES, UTILIZATION OF GAS RESERVES, ECONOMIC PAY-OUT FROM INVESTMENT IN EXISTING FACILITIES, AND MOST IMPORTANT, ABILITY OF COUNTRY TO ABSORB EVEN LARGER OIL REVENUES.

2. SINCE FINAL DECISION ON FUTURE EXPANSION OF PRODUCTION WILL BE BASED ON MIX OF POLITICAL AND ECONOMIC FACTORS, KHAN SAID IT ESSENTIAL THAT ABU DHABI HAVE ACCURATE TECHNICAL DATA ON PETROLEUM RESERVOIRS AND CHARACTERISTICS OF PRODUCING FIELDS. IN THIS REGARD, KHAN WAS SLIGHTLY CRITICAL OF ONSHORE PRODUCER, ABU DHABI PETROLEUM CO. (ADPC), FOR WHAT ADNOC CONSIDERS POOR OIL FIELD PRACTICE IN DEVELOPMENT OF CERTAIN OF ITS FIELDS. WHILE BOTH POLITICAL AND FINANCIAL ABSORPTION FACTORS CERTAINLY INFLUENCED ZAYID'S DECISION TO LIMIT PRODUCTION IN 1974, KHAN INDICATED THAT ONE OF MAJOR REASONS ADPC INSTRUCTED TO DEFER FOR TIME BEING FURTHER EXPANSION OF ITS PRODUCTION CAPACITY FROM 1.28 MBPD TO 1.8 MBPD IS UNCERTAINTY ON GOVT'S PART THAT COMPANY IS DEVELOPING FIELDS HAVING BEST LONG TERM PRODUCTIVE CAPACITY. ADDITIONAL ADPC INCREMENT WAS TO HAVE COME ON STREAM AT END OF 1975. ON OTHER HAND, ADNOC BELIEVES THAT FROM TECHNICAL STANDPOINT OFFTAKE BY OFFSHORE PRODUCER, ABU DHABI MARINE AREAS (ADMA) SHOULD BE INCREASED BEYOND PRESENT 550-600,000 BPD RATE AND, THEREFORE, HAS

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INSTRUCTED ADMA TO PROCEED WITH ITS WATER INJECTION SCHEME DESIGNED TO RAISE PRODUCTION BY 1976 TO ABOUT 800,000 BPD.

3. IN ORDER TO ASSURE IT WILL HAVE KIND OF SCIENTIFIC DATA NEEDED TO SUPPORT POLITICAL/ECONOMIC DECISION CONCERNING FUTURE AD PRODUCTION LEVEL, ADNOC IS SOLICITING PROPOSALS FOR A COMPLETE RESERVOIR AND FIELD MODEL STUDY FROM ABOUT 10 COMPANIES, 8 OF WHOM WE UNDERSTAND ARE AMERICAN FIRMS.

ADNOC EXPECTS THAT RESERVOIR STUDY WILL TAKE MINIMUM OF 12-18 MONTHS. UNTIL STUDY COMPLETED, KHAN GAVE IMPRESSION THAT PRODUCTION WILL BE STABILIZED AT ROUGHLY PRESENT LEVEL OF 1.635 MBPD LEAVING ABU DHABI WITH UNUSED CAPACITY OF APPROX 265,000 BPD. BY EARLY 1976, WHEN ADMA INCREMENT COMES ON STREAM, TOTAL PRODUCTIVE CAPACITY WILL RISE TO 2,150 MBPD.

4. COMMENT: ALTHOUGH KHAN ACKNOWLEDGES THAT US TECHNOLOGY UNSURPASSED IN PREPARATION OF RESERVOIR STUDIES, WE HAVE SOME REASON TO BELIEVE THAT HE AS WELL AS CERTAIN MEMBERS OF ADNOC BOARD, MAY FAVOR AWARD OF CONTRACT TO FRENCH PETROLEUM INSTITUTE SUBSIDIARY, BEICIP.
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